



BERNSTEIN

QUICK TAKE

2 May 2017

North American Oil & Gas Exploration/Production

Anadarko Petroleum Corp

Rating

Outperform

Target Price



83.00 USD

**PLAINTIFF'S
EXHIBIT**CASE
NO. _____EXHIBIT
NO. 26

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Quick Take (APC): APC may suffer overhang on Firestone and Shenandoah but remember the 3D vision with Delaware in focus

Anadarko reported 1Q17 results after the close today. Production was 795 kboepd vs. consensus of 734, though some consensus estimates likely exclude volumes from divested assets (and thus are not comparable). CFPS was ahead of consensus at 1.25 vs. 0.99 expected, and EPS was -0.60 vs. consensus of -0.24.

In terms of negatives, concerns around the **Firestone accident** (press released after close as well) will likely be a focus of questions.

In the DW GOM, some tie-back success was overshadowed by a **large Shenandoah impairment** (\$467 mln) and **dry hole** expensing (\$435 mln). Note the negative read-across to CIE.

In international, **Colombian gas discoveries** added to the opportunity, but frankly investors would much prefer oil (or water?) to gas given that a large stranded gas asset would require export to monetize fully.

APC has lots of cash (\$5.8 bln on hand). While not burning a hole in their pocket, is it **destined for Delaware acquisitions** following expiration of participation agreement with Shell? Buying out BHP (sweetened with an asset swap?), PDCE, WPX, or CRZO would be one strategy. Purchasing significant packages from others (APA, COP, EGN) would be another. Such a deal could be the next significant positive catalyst.

Close Date	2-May-2017
APC Close Price (USD)	56.28
Target Price (USD)	83.00
Upside/(Downside)	47%
52-Week Low	44.81
52-Week High	73.33
SPX	2,391.17
FYE	Dec
Indicated Div Yield	0.4%
Market Cap (USD) (M)	31,536
EV (USD) (M)	40,989
Performance	YTD 1M 6M 12M
Absolute (%)	(19.3) (9.2) (5.4) 8.3
SPX (%)	6.8 1.2 14.0 14.9
Relative (%)	(26.1) (10.4) (20.4) (5.5)



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Investment Implications

We rate APC Outperform as a result of its oil-focused growth driven by the powerful 3D portfolio -- Delaware, DJ Basin, and DW GOM. In addition, international exploration & development (and potential monetization?) catalysts generate a reason to own the stock.

EPS Adjusted	F16A	F17E	F18E	Financials	F16A	F17E	F18E	CAGR	Valuation Metrics	F16A	F17E	F18E
APC (USD)	(\$0.7)	0.52	2.43	CFO (M)	3,000	6,235	8,077	54.1%	P/E Adjusted (x)	(18.32)	107.9	23.14
SPX	116.75	128.55	144.27	CapEx (M)	5,593	4,600	5,406	(2.0)%	P/CFO (x)	10.10	5.34	4.01
				CFO/SH	5.57	10.52	14.03	58.7%	Div Yield (%)	0.36	0.39	0.43

See Disclosure Appendix of this report for important disclosures and analyst certifications

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DISCLOSURE APPENDIX

TICKER TABLE

Ticker	Rating		2 May 2017 Closing Price	Target Price	TTM Rel. Perf.		EPS Adjusted			P/E Adjusted		
							2016A	2017E	2018E	2016A	2017E	2018E
APC	O	USD	58.28	83.00	(6.5)%	USD	(3.07)	0.52	2.43	(18.32)	107.9	23.14
SPX			2,381.17				116.75	128.55	144.27	20.48	18.60	16.57

O - Outperform, M - Market-Perform, U - Underperform, N - Not Rated

VALUATION METHODOLOGY

North American Oil & Gas Exploration/Production

Our valuation framework for our coverage of North American E&P oil & gas stocks is based on the correlation of P/CF multiple and the recycle ratio (cash flow per barrel divided by F&D costs). The recycle ratio-implied target multiples are supplemented by company-specific catalysts, which are valued independently under a full-life cycle NPV methodology and applied in the form of incremental (positive or negative) change. We adjust our target multiples to include the effects of growth, capitalization, capital efficiency, and risk.

RISKS

North American Oil & Gas Exploration/Production

The primary risk to our target prices for the North American E&Ps is lower than expected commodity prices over the next few years. For instance, oil prices could be negatively affected by slower than expected economic growth, higher global supply, or faster switching to alternative fuel sources, which could depress product demand and drive oil prices below the marginal cost of supply. For natural gas, prices could be negatively affected by warm weather, continued healthy supply growth, lower coal-to-gas power switching, or higher LNG/pipeline net imports. Additionally, government policy and administration, including but not limited to the BOEM/BSEE's pace of permitting or leasing, or changes to various countries' tax rates/fiscal terms, have the potential to positively or negatively affect the commodities and companies.

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12-Month Rating History as of 05/02/2017

Ticker Rating Changes

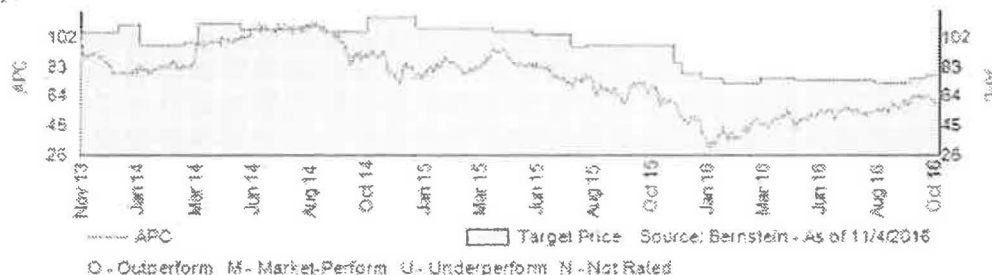
APC O (RC) 11/03/14

Rating Guide: O - Outperform, M - Market-Perform, U - Underperform, N - Not Rated

Rating Actions: IC - Initiated Coverage, DC - Dropped Coverage, RC - Rating Change

APC / Anadarko Petroleum Corp.

Date	Rating	Target(USD)
10/28/13	O	105.00
12/23/13	O	110.00
01/21/14	O	97.00
03/18/14	O	99.00
04/04/14	O	111.00
05/27/14	O	107.00
07/16/14	M	107.00
08/11/14	M	109.00
09/10/14	M	106.00
11/03/14	O	115.00
01/05/15	O	108.00
04/13/15	O	106.00
06/04/15	O	104.00
07/23/15	O	96.00
08/12/15	O	97.00
11/30/15	O	86.00
12/11/15	O	79.00
01/05/16	O	76.00
02/01/16	O	72.00
03/22/16	O	76.00
05/04/16	O	75.00
06/15/16	O	73.00
09/28/16	O	76.00
10/20/16	O	78.00



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